RAINBOW VILLAGE, INC. AND SUBSIDIARIES
Duluth, Georgia

Consolidated Financial Statements
December 31, 2021 and 2020

RAINBOW VILLAGE, INC. AND SUBSIDIARIES AND SUBSIDIARIES
DULUTH, GEORGIA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

CONTENTS

WILSON LEWIS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rainbow Village, Inc. and Subsidiaries
Duluth, Georgia

Opinion

We have audited the accompanying consolidated financial statements of Rainbow Village, Inc. and Subsidiaries (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rainbow Village, Inc. and Subsidiaries as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Rainbow Village, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rainbow Village, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

• Exercise professional judgment and maintain professional skepticism throughout the audit.

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rainbow Village, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.

• Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

• Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rainbow Village, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2022, on our consideration of Rainbow Village, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rainbow Village, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Wilson Lewis

September 22, 2022

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RAINBOW VILLAGE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 980,860	$ 776,479
Unconditional promises to give	3,000	-
Grant receivable	16,849	-
Resident receivables, net	4,550	8,726
Prepaid expenses	23,586	26,987
Investments	612,867	302,495
Contract assets	-	54,841
Total current assets	1,641,712	1,169,528
PROPERTY AND EQUIPMENT		
Property and equipment	9,435,574	9,431,574
Less: accumulated depreciation	(1,986,763)	(1,730,758)
Property and equipment, net	7,448,811	7,700,816
Total assets	$ 9,090,523	$ 8,870,344
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 25,766	$ 25,849
Accrued expenses	59,302	44,239
Resident deposits and savings	48,750	37,175
Total current liabilities	133,818	107,263
NET ASSETS		
Net assets - without donor restrictions	6,429,843	5,963,838
Net assets - with donor restrictions	2,526,862	2,799,243
Total net assets	8,956,705	8,763,081
Total liabilities and net assets	$ 9,090,523	$ 8,870,344

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	$ 1,308,922	$ 20,000	$ 1,328,922	$ 1,100,395	$ 1,000	$ 1,101,395
Grant revenue	-	62,773	62,773	-	350,451	350,451
Rental income	93,805	-	93,805	82,910	-	82,910
Other program income	46,762	-	46,762	46,547	-	46,547
Special events income	572,702	-	572,702	320,307	-	320,307
Investment income	59,556	-	59,556	52,560	-	52,560
Total revenue and support	2,081,747	82,773	2,164,520	1,602,719	351,451	1,954,170
Net assets released from restrictions	355,154	(355,154)	-	603,215	(603,215)	-
EXPENSES						
Program services	1,104,638	-	1,104,638	1,002,506	-	1,002,506
Supporting services	508,380	-	508,380	405,067	-	405,067
Fundraising	357,878	-	357,878	269,233	-	269,233
Total expenses	1,970,896	-	1,970,896	1,676,806	-	1,676,806
CHANGE IN NET ASSETS FROM CONTINUING OPERATIONS	466,005	(272,381)	193,624	529,128	(251,764)	277,364
DISCONTINUED OPERATIONS (See Note 13)						
Loss from discontinued operation	-	-	-	(75,552)	-	(75,552)
Total change in net assets	466,005	(272,381)	193,624	453,576	(251,764)	201,812
NET ASSETS, beginning of year	5,963,838	2,799,243	8,763,081	5,510,262	3,051,007	8,561,269
NET ASSETS, end of year	$ 6,429,843	$ 2,526,862	$ 8,956,705	$ 5,963,838	$ 2,799,243	$ 8,763,081

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended December 31, 2021 and 2020

	2021				2020			
	Program Services	Supporting Services	Fundraising	Total	Program Services	Supporting Services	Fundraising	Total
OPERATING EXPENSES								
Bank / merchant fees	$ 193	$ 4,160	$ 5,001	$ 9,354	$ 568	$ 1,700	$ 6,770	$ 9,038
Bad debt expense	-	-	-	-	14,887	-	-	14,887
Conference and meetings	566	6,573	275	7,414	306	711	528	1,545
Depreciation	244,398	11,607	-	256,005	248,845	15,925	-	264,770
Equipment rental	-	5,400	-	5,400	-	5,400	-	5,400
Insurance	27,068	20,414	466	47,948	25,771	16,970	466	43,207
Interest	-	1,744	-	1,744	-	148	-	148
Memberships	1,630	12,566	720	14,916	2,575	10,252	650	13,477
Office	8,212	3,082	285	11,579	4,025	720	284	5,029
Postage	272	581	572	1,425	-	764	411	1,175
Professional fees	-	86,233	9,600	95,833	-	70,595	9,600	80,195
Promotional materials and service	140	-	22,484	22,624	-	-	13,767	13,767
Repairs and maintenance	98,737	21,761	1,866	122,364	47,308	8,144	1,861	57,313
Special events	-	250	135,653	135,903	-	-	61,529	61,529
Supplies	36,409	4,960	1,957	43,326	24,621	1,941	1,138	27,700
Technology	37,678	20,907	5,423	64,008	29,214	17,372	5,478	52,064
Telephone	19,736	4,499	887	25,122	19,492	4,306	1,420	25,218
Utilities	102,768	16,669	1,568	121,005	93,710	17,668	1,494	112,872
Total operating expenses	577,807	221,406	186,757	985,970	511,322	172,616	105,396	789,334
PERSONNEL COSTS								
Salaries	410,990	233,334	149,464	793,788	364,693	207,356	146,761	718,810
Employee benefits	14,025	9,906	8,594	32,525	11,284	9,780	4,375	25,439
Payroll taxes	32,404	25,267	12,063	69,734	30,471	14,736	11,814	57,021
Professional development	150	391	1,000	1,541	-	579	250	829
Total personnel costs	457,569	268,898	171,121	897,588	406,448	232,451	163,200	802,099
DIRECT PROGRAM COSTS								
Children and youth	14,166	3,987	-	18,153	16,387	-	637	17,024
Case management and adult	55,096	14,089	-	69,185	68,349	-	-	68,349
Total direct program costs	69,262	18,076	-	87,338	84,736	-	637	85,373
Total expenses	$ 1,104,638	$ 508,380	$ 357,878	$ 1,970,896	$ 1,002,506	$ 405,067	$ 269,233	$ 1,676,806

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 193,624	$ 201,812
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	256,005	276,793
Net gains on investments	(59,501)	(52,495)
Bad debts	-	14,887
(Increase) decrease in assets:		
Promises to give	(3,000)	-
Grants receivable	(16,849)	60,250
Contract assets	54,841	(54,841)
Resident receivables	4,175	19,637
Prepaid expenses	3,401	(5,116)
Increase (decrease) in liabilities:		
Accounts payable	(83)	(13,304)
Accrued expenses	15,059	(31,411)
Resident obligations	11,575	36,375
Total adjustments	265,623	250,775
Net cash provided by operating activities	459,247	452,587
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,000)	(32,146)
Purchase of investments	(250,866)	(250,000)
Net cash used in investing activities	(254,866)	(282,146)
NET INCREASE IN CASH AND CASH EQUIVALENTS	204,381	170,441
Cash and cash equivalents, beginning of year	776,479	606,038
Cash and cash equivalents, end of year	$ 980,860	$ 776,479
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 1,744	$ 148

See accompanying notes and independent auditor's report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Rainbow Village, Inc. ("Organization") provides families in domestic and / or economic crisis a healing environment to rebuild their lives through a community based transitional housing program that promotes self-sufficiency. Beyond providing the security of fully furnished homes, the Organization provides homeless families with targeted case management and requires the following participation level from family members: life-skills classes, job training and workforce development, financial literacy counseling, support groups, and after-school and character-building programs for children and youth.

Most of the families served by the Organization transition within two years to an independent living situation. A majority of the formerly homeless families are single, female heads of households, many fleeing domestic violence. The Organization provides homes for eighteen families serving an average of 100 adults, children, and youth annually. Aftercare is provided to families for a minimum of two years. In addition, a mentoring program allows an opportunity for resident families to work with others who have successfully completed the program for support and encouragement.

The Rainbow Village Community Center, LLC and the Rainbow Village Early Childhood Development Center, LLC are wholly owned subsidiaries of Rainbow Village, Inc. and Subsidiaries These limited liability companies were established in December 2014 and began operations in November 2015. The Community Center and Early Childhood Development Center were opened to help families handle the economic burden childcare creates for homeless working adults with children. The Community Center also serves homeless children through before and after school programs, tutoring, and other enrichment opportunities. The Early Childhood Development Center ceased operations during the year ended December 31, 2020, See Note 13.

Contributions to the Organization are tax deductible within the limitation prescribed by the Internal Revenue Code.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Rainbow Village, Inc. and Subsidiaries and its wholly-owned subsidiaries, collectively the "Organization". Significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The Organization recognizes revenue and expenses on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization presents its consolidated financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 *Not-for-Profit-Entities*. Accordingly, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. As of December 31, 2021 and 2020, net assets without donor restrictions were $6,429,843 and $5,963,838, respectively.

Net assets with donor restrictions are amounts subject to donor-imposed stipulations that may, or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets with donor restrictions were $2,526,862 and $2,799,243 for the years ended December 31, 2021 and 2020, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

For exchange transactions, such as event ticket sales and certain grant agreements, the Organization recognizes revenue from contracts with customers in accordance with ASC Topic 606 Revenue from Contracts with Customers. ASC 606 provides for a five-step model for recognizing revenue from contracts with customers as follows:

1. Identify the contract
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue

Revenue is disaggregated based on the timing of the transfer of goods and services and the type of goods and services transferred. The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods and services to the customer. The transaction price generally includes fixed amounts but may from time to time include variable amounts to the extent that a significant reversal of revenue recognized will not occur when the uncertainty associated with variable consideration is subsequently resolved, that is, it is probable and estimable.

Generally, the Organization's contracts with customers contain one performance obligation. Performance obligations related to contracts with customers for contributions, event ticket revenue and auction sales revenue for other program revenues and special event revenues are satisfied at a point in time because the performance of the contract typically creates or enhances an asset that the customer controls as the asset is delivered to the customer. Grant revenues are related to expense reimbursements. Performance obligations related to grant revenues are satisfied at a point in time when the grant conditions are met and the related expenses are reimbursed. Performance obligations related to contracts with residents for rental revenue are satisfied over time because the performance of the contract typically creates or enhances an asset that the customer controls as the asset is created or enhanced.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue is recognized as performance obligations are satisfied and control of the promised goods and / or service is transferred to the customer. Revenue is recognized at a point in time as control is transferred to the customers by measuring the progress toward complete satisfaction of the performance obligation using the units delivered output method which is generally the best depiction of transfer of control.

Subsequent to the inception of a contract, the transaction price could change for various reasons, including a credit that can be applied to amounts owed, or that will be owed, or a full or partial refund. Changes that are accounted for as an adjustment to existing performance obligations are allocated on the same basis at contract inception. Otherwise, changes are accounted for as separate performance obligations and the separate transaction price is allocated as discussed above.

Contract assets consist of unbilled earnings on grant contracts for which the approved expenses were incurred before year end. Based on historical experience with these grantors, the collection risk related to the unbilled amounts is low.

For non-exchange transactions, such as contributions, the Organization recognizes revenue on the accrual method in accordance with ASC 958-605. Revenue is recognized when the promises to give are made. All contributions are available for unrestricted use, unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give for the years ended December 31, 2021 or 2020.

Donations

Assets received as gifts are recorded at their fair market value on the date of the receipt. The value of donated services received that either create or enhance non-financial assets or require specialized skills which would need to be purchased if not donated are recorded as donated services. Professional services that met the criteria for recognition as donated services were $39,916 and $38,028 for the years ended December 31, 2021 and 2020. Professional services donated were for legal and other professional services.

Cash and Cash Equivalents

For purposes of the statements of cash flows, all investments purchased with a maturity date of three months or less are considered to be cash equivalents because they are highly liquid.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the determination in the change in net assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Promises to Give

Promises to give are recorded at the amount the Organization expects to collect on donations and pledges made. Unconditional promises to give are recognized in the statement of activities in the period received. Promises to be received after one year are discounted at an appropriate discount rate based on management's estimate of the risks involved. Amortization of the discount is recorded annually as additional contribution revenue. Management closely monitors promises to give and reserves for, as of year end, any balances that are considered to be uncollectible. Management will write off any promises to give that remain outstanding after reasonable collection efforts have been used. The Organization has determined there are no significant financing components in these receivables for the years ended December 31, 2021 and 2020. There was no allowance for doubtful accounts for the years ended December 31, 2021 and 2020.

Grants Receivable

Grants receivable are recorded when the conditions in the grant have been met and the amounts are receivable from the grantors. The Organization has determined there are no significant financing components in these receivables for the years ended December 31, 2021 and 2020. There was no allowance for doubtful accounts for the years ended December 31, 2021 and 2020.

Resident Receivables

Residents are billed for various items according to their individual program profile such as rent. If the balances due from residents are greater than one year past due, they are fully reserved for by the Organization. The Organization has determined there are no significant financing components in these receivables for the years ended December 31, 2021 and 2020. The allowance for doubtful accounts was $52,337 and $41,927, for the years ended December 31, 2021 and 2020, respectively.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the useful lives of the assets. Property and equipment consists of land, buildings, furniture & equipment, and vehicles which have useful lives between five and forty years. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in the current year’s changes in net assets. Repairs and maintenance charges, which do not significantly extend the useful lives of the assets, are charged to expense as incurred, while major replacements and betterments are capitalized. Depreciation expense for the years ended December 31, 2021 and 2020 was $256,005 and $276,793, respectively.

Income Taxes

The Organization is a non-profit organization which has been determined by the Internal Revenue Service to be exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the Organization is not a private foundation. The Organization's income tax returns are subject to examination by the appropriate regulatory authorities and remain open for examination for a period of three years after the respective filing deadlines of those returns.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of revenues, expenses and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services receiving the benefit.

SBA Paycheck Protection Program Loan

During the year ended December 31, 2020, the Organization received loan proceeds under the Paycheck Protection Program (PPP) from the Small Business Administration (SBA). The loan has conditions that must be met within a specified time from the date of receipt in order to be considered for forgiveness. This loan has been recorded as a restricted government grant. The transaction records related to funds spent by the Organization are subject to examination by the SBA and the SBA Inspector General for six years after the loan was approved.

Fair Value of Financial Instruments

The Organization's financial instruments, including current assets and current liabilities, are carried at cost, which approximates their fair value because of the short-term nature of these financial instruments. The Organization's investments and unconditional promises to give are carried at fair value.

2. FAIR VALUE MEASUREMENTS

The Organization applies the provisions of ASC 820, *Fair Value Measurements and Disclosures*, for fair value measurements that are recognized and disclosed at fair value in the consolidated financial statements on a non-recurring basis. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants on the measurement date. ASC 820 also established a fair value hierarchy that requires the Organization to maximize the use of observable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions.

The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or market - corroborated inputs.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization estimated the fair value of it's investments at quoted market prices; accordingly, they are considered Level 1 fair values. There were no transfers in or out of Level 1 within the fair value hierarchy as of December 31, 2021 and 2020.

3. PROMISES TO GIVE

Unconditional promises to give consisted of the following:

	2021	2020
Unconditional promises to give, current	$ 3,000	$ -
Unconditional promises to give, long-term	-	-
Total	$ 3,000	$ -

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2021	2020
Building	$ 8,361,037	$ 8,361,037
Land	502,778	502,778
Furniture and equipment	475,212	471,212
Vehicles	96,547	96,547
Total cost	9,435,574	9,431,574
Accumulated depreciation	(1,986,763)	(1,730,758)
Property and equipment, net	$ 7,448,811	$ 7,700,816

Depreciation expense for the years ended December 31, 2021 and 2020 was $256,005 and $276,793, respectively.

5. LINE OF CREDIT

The Organization has available a line of credit with a borrowing capacity of $500,000 with a maturity date of May 2022. Interest is equal to the Wall Street Journal Prime Rate plus 1%. The line of credit is secured by the receivables and fixed assets of the Organization. There was no outstanding balance on the line of credit for the years ended December 31, 2021 and 2020, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	2021	2020
Mental health program	$ -	$ 30,000
Building fund restrictions	2,526,862	2,769,243
Total	$ 2,526,862	$ 2,799,243

6. TEMPORARILY RESTRICTED NET ASSETS *(continued)*

Net assets released from donor restrictions are as follows:

	2021	2020
Building fund restrictions	$ 242,381	$ 252,764
SBA Paycheck Protection Program Grant	-	189,000
Alumni case manager position	-	30,000
COVID supplies and assistance	1,618	98,948
Rent assistance & resident transportation	61,155	3,284
Security cameras and equipment	-	29,219
Mental health	30,000	-
Assistance for woman and children	20,000	-
Total	$ 355,154	$ 603,215

7. NET ASSETS LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2021	2020
Cash and cash equivalents	$ 980,860	$ 776,479
Unconditional promises to give	3,000	-
Grants receivable	16,849	-
Contract assets	-	54,841
Resident receivables	4,550	8,726
Total	$ 1,005,259	$ 840,046

The unconditional promises to give and receivables are subject to implied time restrictions but are expected to be collected within one year. The Organization has a goal to maintain a cash balance to meet several months of operating expenses which were on average $164,241 and $139,734 per month for the years ended December 31, 2021 and 2020, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

8. INVESTMENT INCOME

Investment income consists of the following:

	2021	2020
Net realized and unrealized losses	$ 60,184	$ 51,844
Dividends and interest	6,820	3,279
Less: fees paid	(7,448)	(2,563)
Total net return on investments	$ 59,556	$ 52,560

9. SBA PAYCHECK PROTECTION PROGRAM LOAN

During the year ended December 31, 2020, the Organization received a Paycheck Protection Program loan of $189,000 from the Small Business Administration applied for under the CARES Act. This is a forgivable loan as long as the following condition is met during the specified period: the Organization is required to spend a minimum of 75% of the loan proceeds on payroll costs, interest on mortgages, rent, and utilities. Loan payments are deferred to either the date the SBA remits the borrower's loan forgiveness amount to the lender or 10 months after the end of the borrower's loan forgiveness covered period if the borrower does not apply for loan forgiveness. The loans have a maturity date of two years from the date of receipt, and an interest rate of 1% if not forgiven. The loan is unsecured. For the year ended December 31, 2020, the Organization had the loan fully forgiven and recorded as grant revenue.

10. ALLOCATION OF JOINT COSTS

The Organization conducted activities that included requests for contributions, as well as program and supporting expenses. Those activities included a golf tournament, a gala, and a wine and dinner auction. The costs of conducting those activities included a total of $307,265 and $258,767 of joint costs, which are not specifically attributable to particular components of the activities for the years ended December 31, 2021 and 2020, respectively.

These joint costs were allocated as follows:

	2021	2020
Programs	$ 186,931	$ 164,266
Support	38,156	30,584
Fundraising	82,178	63,917
Total	$ 307,265	$ 258,767

11. OPERATING LEASES

The Organization leases office equipment under various lease agreements less than 12 months in length. Equipment rental expense for the years ended December 31, 2021 and 2020 was $5,400 and $5,400, respectively.

12. CONCENTRATIONS

Cash and Cash Equivalents

The Organization maintains its cash and cash equivalents with federally insured financial institutions. At times during the year, the balances at these financial institutions exceeded the FDIC insured limit of $250,000.

Events

During the years ended December 31, 2021 and 2020, one event accounted for approximately 22% of revenue and support earned.

13. DISCONTINUED OPERATIONS

On March 31, 2020, the Organization ceased operations of the Early Childhood Development Center ("ECDC"). The decision to shut down operations was made as a result of consistent net losses realized and as a result of the COVID-19 pandemic. All of the remaining assets of ECDC as of December 31, 2020 were transferred to and used by the remaining companies in the Organization.

14. UNCERTAINTY

During the year ended December 31, 2020, there was a worldwide public health emergency declared related to COVID-19. The response to this public health emergency mandated by United States government officials included forced closures of various businesses and organizations for a length of time. These closures and the health emergency have affected normal day to day operations of the Organization, its donors, and its program.

15. DATE OF MANAGEMENT'S REVIEW

The Organization is not aware of any significant events that occurred subsequent to the balance sheet date but prior to the issuance of this report that require adjustment to the consolidated financial statements or disclosure in the notes to the consolidated financial statements. Management has evaluated subsequent events as of September 22, 2022, the date on which the consolidated financial statements were available to be issued.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

WILSON LEWIS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Rainbow Village, Inc. and Subsidiaries
Duluth, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Rainbow Village, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 22, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Rainbow Village, Inc. and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rainbow Village, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

With these limitations, we noted a significant deficiency where the CFO is performing a majority of the control procedures including being a signer on and reconciling the bank accounts leading to a lack of separation of duties. This deficiency presents an opportunity for material misstatements due to error or fraud, but is mitigated by a monthly internal financial review performed by the CEO, CFO, and the Board of Directors.

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Other than noted in the paragraph above, during our audit we did not identify any additional deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rainbow Village, Inc. and Subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson Lewis

September 22, 2022

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